

August 15, 2012

ITEM NO. B2

**AUTHORIZATION TO EXECUTE A HOUSING ASSISTANCE PAYMENTS
CONTRACT WITH THRESHOLDS FOR EDGEWATER SHORES**

To the Honorable Board of Commissioners:

Recommendation

It is recommended that the CHA execute a Housing Assistance Payments (HAP) Contract with Thresholds for the following property:

- 8 studio units at Edgewater Shores for individuals needing mental health services
- **The purpose of this contract is to increase the supply of long-term, quality affordable housing opportunities in healthy neighborhoods for households on CHA waiting lists.**

Background on Property Rental Assistance (PRA) Program

The 8 units in this proposed HAP Contract will be administered as part of the Property Rental Assistance (PRA) Program. PRA was launched in June 2010 to add 500-650 new CHA units per year through an open web-based application process. PRA program goals are to:

1. Increase the number of affordable housing opportunities in healthy neighborhoods.
2. Ensure long-term affordability in opportunity areas.
3. Provide affordable housing options for working families, seniors and special needs populations.
4. Provide owners with reliable and straightforward rental income for their properties.

All CHA-assisted PRA units count toward the overall 25,000 unit goal in the Plan for Transformation. HUD and the CHA Board of Commissioners approved this designation as part of Amendment 3 to the Amended and Restated MTW Agreement in March 2010.

PRA Evaluation Process

Complete applications for PRA assistance are evaluated in the order received as part of a twice-monthly evaluation committee process. The PRA evaluation committee is comprised of:

- 4 CHA staff representing Asset Management, Development Management, Finance and Resident Services
- 1 staff from the Chicago Department of Housing and Economic Development (DHED)
- 1 staff from the Chicago Department of Families and Supportive Services (DFSS).
- 1 staff from the Corporation for Supportive Housing (CSH)
- Business and Professional People for the Public Interest (BPI) also provide non-voting participation

All applications are evaluated on 5 criteria: Property Characteristics, Neighborhood, Owner Experience, Manager Experience, and Rent Structure.

PRA Program Status

The PRA portfolio currently includes 2,115 units in 96 developments. The program provides \$20.7 Million in annual HAP payments and currently has a 97.2% occupancy rate.

- In 2010, PRA added 234 units in 9 developments;
- In 2011, PRA added 569 units in 36 developments;
- In 2012, PRA plans to add 650 units to achieve unit count goals in the 2012 Annual Plan.
- So far in 2012, 176 PRA units are under contract or in the pipeline.

Owner / Manager Information

The development has been owned and managed by MSS Enterprises, Inc. (MSS) since 2004.

Thresholds will enter into a Master Lease with MSS for 8 studio apartment units in the building. Thresholds will have no ownership interest in the property. The Master Lease provides that MSS will be responsible for furnishing all utilities, maintenance and repairs, and HQS requirements. MSS is a participant in the CHA Owner Excellence program, consistently meeting HQS.

Thresholds will provide supportive services for the 8 PRA units. Thresholds will provide a comprehensive program of therapeutic support, case management, job training and placement. Thresholds' was founded in 1959 for the purpose of delivering recovery services to people with persistent mental illness. Thresholds has developed and currently owns and manages 36 residential properties consisting of 3 tax credit properties, 6 SROs, 19 group homes and 11 apartment buildings all providing supportive housing and services to over 500 residents throughout Chicago, Cook, Kankakee and McHenry Counties.

- All owners in the PRA program are reviewed as part of a thorough due diligence process.
- This review includes checks for building code violations, HUD debarred list, City of Chicago scofflaw, criminal background, and other program participation.
- No issues were identified during the review of Thresholds or MSS.

Contract Information

- **Funding Source:** Housing Choice Voucher Program (Property Rental Assistance)
- **Term:** 15 Years (requested by owner)
- **Initial Annual Contract Amount:** \$820/\$78,720
- **Total Base 15-Year Contract Amount:** \$1,180,800

Waiting List / Occupancy Process

It is Thresholds' intent to lease the 8 units to eligible persons from CHA waiting list. In an effort to accomplish this, Thresholds' will cross reference its' waiting list with CHA's waiting list. Those persons identified on both lists will receive a first preference for the units. In an effort to maintain a current cross-referenced waiting list of qualified applicants, the CHA and Thresholds, will cross-reference Thresholds' list with CHA's list to identify applicants who meet the property preference in regular intervals (estimated to occur on a quarterly basis). In the event that an insufficient number of applicants are identified through the cross-referencing process, after 90 days of referrals to a vacant unit, Threshold may qualify applicants from its site-based waiting list. The CHA waiting list of applicants or current participants that are also interested in housing that provides mental health services will be exhausted prior to utilization of a site based waiting list.

Thresholds/ Edgewater Shores Development Information

The property is a six-story elevator building containing 73 units located in the Edgewater community area. The building serves single adult households and small families with 50 studios, 1 two-bedroom and 22 one-bedroom apartments.

Since acquired in 2004, major capital improvements have been made to the property. This includes new boilers, high-efficiency hot



water heater, new plumbing lines throughout, a new roof, extensive masonry work and tuck-pointing, plus substantial improvements to the units (new floors, fixtures, appliances, cabinets) and historic renovation of the lobby.

- **Address:** 5326 N. Winthrop.
- **PRA Units:** 8 studios - the HAP Contract will initially consist of 3 units with the remaining 5 coming on line over the next nine months as units naturally turn over.
- **Population:** Individuals in need of mental health supportive services.
- **Total Units:** 73 total units in building. Of these, 7 units have HCV subsidies.
- **Subsidy Ratio:** 20.5% of units in building including HCV.
- **Unit Size:** Approximate range 410 sq. ft.
- **Condition:** Major capital improvements and substantial unit upgrades in 2004.
- **Amenities:** 24 hour front desk, camera security system in lobby and on each floor, on-site management and service staff, community room, building sponsored events (e.g. holiday parties, summer picnics) and on-site laundry facilities.
- **Contract Rent:** \$820/per month includes heat, cooking gas, electricity, water and sewer. (Comparable with other units in building / neighborhood.)
- **Inspection Results:** All of the proposed units substantially comply with Housing Quality Standards.
- **Overall:** Stable building serving single adult households and small families.



Neighborhood Information

The Edgewater Community Area is a vibrant, stable community bordering on the Lake.

- 2.5 blocks from the CTA Red Line; 3 CTA bus lines on Sheridan (2 blocks east)
- 1 block from a Jewel Grocery Store
- 3 blocks from the Lakefront
- Low rate of subsidized housing in area
- Minimal crime activity
- 48th Aldermanic Ward (Harry Osterman)



Conclusion on Thresholds for Edgewater Shores

It is recommended that the CHA execute a Housing Assistance Payments (HAP) Contract with Thresholds for a term of 15 years for 8 studio apartments at Edgewater Shores. Threshold's proposal meets all four (4) of the PRA program goals:

1. Increase the number of affordable housing opportunities in healthy neighborhoods.
2. Ensure long-term affordability in opportunity areas.
3. Provide affordable housing options for working families, seniors and special needs populations.
4. Provide owners with reliable and straightforward rental income for their properties.

RESOLUTION 2012-CHA-62

WHEREAS, the Board of Commissioners of the Chicago Housing Authority has reviewed the Board letter dated August 15, 2012 requesting authorization to execute a Housing Assistance Payments (HAP) Contract with Thresholds for 8 studio apartments at Edgewater Shores;

THEREFORE, BE IT RESOLVED BY THE CHICAGO HOUSING AUTHORITY:

THAT, the Board of Commissioners authorizes the Chief Executive Officer or his designee to (1) execute a Housing Assistance Payments (HAP) Contract with Thresholds for eight (8) studio apartment units at Edgewater Shores; and (2) execute all other documents as may be necessary or appropriate to implement the foregoing. The term of the HAP Contract will be for 15 years.

